

PROPOSED CONFERENCE REPORT NO. 1
SEPTEMBER 8, 1999

AMENDED IN ASSEMBLY AUGUST 16, 1999

AMENDED IN SENATE MAY 28, 1999

AMENDED IN SENATE APRIL 28, 1999

AMENDED IN SENATE APRIL 14, 1999

SENATE BILL

No. 527

Introduced by ~~Senator Speier~~ Senators *Speier, Escutia, and Brulte* and Assembly Members *Villaraigosa and Cedillo*
(Coauthor: Assembly Member Scott)

February 19, 1999

~~An act relating to automobile insurance.~~ *An act to add and repeal Article 5.6 (commencing with Section 11629.9) of Chapter 1 of Part 3 of Division 2 of the Insurance Code, and to add Section 16020.2 to the Vehicle Code, relating to vehicles.*

LEGISLATIVE COUNSEL'S DIGEST

SB 527, as amended, Speier. Automobile insurance: low-cost policies.

Existing law requires motorists to demonstrate financial responsibility by one of various means, including an automobile liability insurance policy. Existing law specifies minimum coverages for the policy. Existing law requires insurers to participate in a plan, *commonly* known as the ~~assigned risk plan~~ *California Assigned Risk Plan*, to provide

automobile insurance to those otherwise unable to obtain coverage.

~~This bill would state legislative findings and declarations regarding the need for an actuarially sound, low-cost automobile insurance policy to be made available to low-income good drivers in the state.~~

This bill would require insurers that participate in the assigned risk plan to also participate in a pilot program established by the Insurance Commissioner for the City and County of San Francisco to offer, until January 1, 2004, a low-cost automobile insurance policy. The low-cost policy would provide coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons, and \$3,000 for liability for damage to property. The policy would satisfy the financial responsibility laws.

This bill would specify annual rates offered initially under the pilot program, until the time as the rates are adjusted in accordance with procedures established in the bill. The bill would also specify certain surcharges to be added to the base rate in certain cases.

The bill would also provide that certain financial responsibility requirements do not apply in the City and County of San Francisco on and after January 1, 2004.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. The Legislature finds and declares as~~
2 ~~follows:~~

3 ~~(a) Despite the legal requirement for automobile~~
4 ~~liability insurance, there are in excess of three million~~
5 ~~uninsured motorists in California leading to increased risk~~
6 ~~and cost for all of the state's motorists.~~

7 ~~(b) Based on research conducted by the Department~~
8 ~~of Insurance, a significant percentage of uninsured~~
9 ~~motorists do not buy insurance because of its high cost~~
10 ~~and would purchase an affordable insurance policy, if~~
11 ~~available.~~

~~(e) For these reasons, the Legislature finds and declares that it is essential to the health, safety, and welfare of all Californians, that an actuarially sound, low-cost policy be made available to low-income good drivers in this state.~~

SECTION 1. It is the goal of the Legislature that the pilot program established by this act, if successful, should be expanded statewide.

SEC. 2. Article 5.6. (commencing with Section 11629.9) is added to Chapter 1 of Part 3 of Division 2 of the Insurance Code, to read:

*Article 5.6. City and County of San Francisco
Low-Cost Automobile Insurance Pilot Program*

11629.9. (1) There is established, within the California Automobile Assigned Risk Plan established under Section 11620, a low-cost automobile insurance pilot program for the City and County of San Francisco.

(2) The commissioner, after a public hearing, shall approve or issue a reasonable plan for the equitable apportionment, among insurers required to participate in the California Automobile Assigned Risk Plan established under Section 11620, of persons residing in the City and County of San Francisco who are eligible to purchase through the pilot program established in that city and county a low-cost automobile insurance policy, as described in Section 11629.91. The pilot program shall be conducted in conjunction with the California Automobile Assigned Risk Plan established under Section 11620.

11629.91. A low-cost automobile insurance policy for purposes of the pilot program established under this article shall have all of the following attributes:

(a) The policy shall offer coverage in the amount of ten thousand dollars (\$10,000) for bodily injury to, or death of, each person as a result of any one accident and, subject to that limit as to one person, the amount of twenty thousand dollars (\$20,000) for bodily injury to, or death of all persons as a result of any one accident, and the

1 amount of three thousand dollars (\$3,000) for damage to
2 property of others as a result of any one accident.

3 (b) The policy shall have an initial term of one year,
4 renewable on an annual basis thereafter.

5 (c) The policy shall cover the person named in the
6 policy, and to the same extent that insurance is provided
7 to the named insured, any other person using the
8 automobile, provided the use is with his or her
9 permission, express or implied, and within the scope of
10 that permission, except that the policy shall not cover
11 members of the named insured's household who do not
12 satisfy the requirements of subdivisions (b) to (e),
13 inclusive, of Section 11629.93.

14 (d) The policy shall provide coverage for an
15 automobile with a value, at the time of purchase by the
16 insured, of twelve thousand dollars (\$12,000) or less, as
17 evidenced by the value given to the automobile by the
18 Department of Motor Vehicles in assessing vehicle
19 license fees.

20 11629.92. (a) The annual rate offered initially under
21 the pilot program for the low-cost automobile insurance
22 policy, until the time that the rate is adjusted, shall be four
23 hundred ten dollars (\$410). A surcharge of 25 percent of
24 the base rate shall be added if the named insured is an
25 unmarried male between the ages of 19 and 24, inclusive,
26 or if an unmarried male between the ages 19 and 24,
27 inclusive, resides in the household of the named insured
28 and will be a driver of the automobile covered under the
29 low-cost policy.

30 (b) In addition to existing premium installment
31 options offered by The California Automobile Assigned
32 Risk Plan under Article 4 (commencing with Section
33 11620), the plan shall also make available to insureds
34 under the pilot program, a premium installment option
35 pursuant to which an insured is required to pay one
36 hundred dollars (\$100) upon issuance of the low-cost
37 policy, followed thereafter by six other payments. No
38 other premium financing arrangement shall be
39 permitted.

1 (c) Rates for policies issued under the pilot program
2 shall be reviewed and revised as follows:

3 (1) Rates shall be sufficient to cover (A) losses
4 incurred under policies issued under the pilot program,
5 and (B) expenses, including, but not limited to, all
6 reasonable and necessary expenses such as the costs of
7 administration, underwriting, taxes, commissions, and
8 claims adjusting, that are incurred due to participation in
9 this pilot program. For purposes of this paragraph, “losses
10 incurred” means claims paid, claims incurred and
11 reported, and claims incurred but not yet reported. In
12 assessing loss reserves, the commissioner shall only allow
13 loss reserves that are estimated from actual losses in the
14 pilot program or comparable data by a licensed statistical
15 agent, as adjusted to reflect coverage provided in this
16 pilot program.

17 (2) Rates shall be set so as to result in no projected
18 subsidy of the pilot program by those policyholders of
19 insurers issuing policies under the pilot program who are
20 not participants in the pilot program.

21 (3) Rates shall be set with respect to this pilot program,
22 and the pilot program established in Article 5.5
23 (commencing with Section 11629.7) of the 1999–2000
24 Regular Session, so as to result in no projected subsidy by
25 policyholders in one pilot program of policyholders in the
26 other pilot program.

27 (4) Commencing on January 1, 2001, and annually
28 thereafter, the California Automobile Assigned Risk Plan
29 shall submit the loss and expense data, together with a
30 proposed rate for the low-cost automobile policy for the
31 pilot program, to the commissioner for approval in
32 accordance with this chapter. The commissioner shall act
33 on the recommendation within 90 days.

34 11629.93. A low-cost automobile insurance policy
35 under the pilot program shall only be available for
36 purchase by persons who satisfy the following eligibility
37 requirements:

38 (a) The person shall be in a household with a gross
39 annual household income that does not exceed 150
40 percent of the federal poverty level.

1 (b) The person shall be no less than 19 years of age and
2 have been continuously licensed to drive an automobile
3 for the previous three years.

4 (c) The person shall have not more than one of either,
5 but not both, of the following within the previous three
6 years:

7 (1) A property damage only accident in which the
8 driver was principally at fault.

9 (2) A point for a moving violation.

10 (d) The person shall not have on record within the
11 previous three years, an at-fault accident involving bodily
12 injury or death.

13 (e) The person shall not have a felony or misdemeanor
14 conviction for a violation of the Vehicle Code on his or her
15 motor vehicle record.

16 (f) The person shall not be a college student claimed
17 as a dependent of another person for federal or state
18 income tax purposes.

19 11629.94. (a) Application may be made through any
20 producer certified by the plan. The applicant, in order to
21 demonstrate financial eligibility to purchase a low-cost
22 automobile insurance policy under the pilot program,
23 shall present at the time of applying for the policy, a copy
24 of the applicant's federal or state income tax return for
25 the previous year or other reliable evidence from a
26 governmental agency or governmental means-tested
27 program of the applicant's gross annual household
28 income, pursuant to regulations issued under subdivision
29 (b) of Section 11629.99.

30 (b) The applicant shall certify that the representations
31 made in the documents submitted as proof of financial
32 eligibility and in the application for the policy are true,
33 correct, and contain no material misrepresentations or
34 omissions of fact to the best knowledge and belief of the
35 applicant.

36 (c) The certified producer shall forward the
37 application, supporting documents, and the applicant's
38 certification to the California Automobile Assigned Risk
39 Plan.

1 11629.95. (a) A certified producer shall provide to an
2 applicant for a low-cost automobile insurance policy
3 under this article a notice relating to coverage under the
4 policy. The notice shall be provided in a separate
5 document at the time of application, and include the
6 following statement in 14-point boldface type:

7
8
9 “NOTICE

10
11
12 INSURANCE COVERAGE PROVIDED IN THE
13 POLICY YOU ARE BUYING CONTAINS REDUCED
14 LIABILITY COVERAGE FOR PERSONAL INJURIES
15 OR PROPERTY DAMAGE RESULTING FROM THE
16 OPERATION OF THE INSURED VEHICLE. IF
17 LOSSES FROM AN AUTOMOBILE ACCIDENT
18 EXCEED THE COVERAGE PROVIDED BY THIS
19 POLICY, YOU CAN BE HELD PERSONALLY LIABLE
20 AND RESPONSIBLE FOR THOSE LOSSES.
21 THIS POLICY PROVIDES LIABILITY COVERAGE
22 FOR INJURIES OR DEATH CAUSED TO OTHER
23 PERSONS IN THE TOTAL AMOUNT OF TEN
24 THOUSAND DOLLARS (\$10,000) PER PERSON IN
25 ANY ONE ACCIDENT, AND UP TO A TOTAL
26 AMOUNT OF TWENTY THOUSAND (\$20,000) FOR
27 ALL PERSONS IN ANY ONE ACCIDENT. THE
28 POLICY ALSO PROVIDES UP TO A TOTAL AMOUNT
29 OF THREE THOUSAND DOLLARS (\$3,000) IN
30 LIABILITY COVERAGE FOR PROPERTY DAMAGE
31 IN ANY ONE ACCIDENT. IF YOU WANT MORE
32 INSURANCE COVERAGE, YOU MUST REQUEST A
33 DIFFERENT POLICY.
34 THIS POLICY ALSO DOES NOT COVER DAMAGE
35 TO YOUR OWN VEHICLE, LOSSES RESULTING
36 FROM YOUR BODILY INJURY OR DEATH, OR
37 COVERAGE FOR LOSSES CAUSED BY AN
38 UNINSURED OR UNDERINSURED DRIVER.
39 HOWEVER, THESE OTHER COVERAGES MAY BE

1 AVAILABLE AT EXTRA COST THROUGH OTHER
2 INSURERS.

3 THIS POLICY DOES NOT COVER ANY OTHER
4 DRIVER IN YOUR HOUSEHOLD WHO:

5 (a) IS UNDER 19 YEARS OF AGE; OR

6 (b) HAS LESS THAN 3 YEARS OF CONTINUOUSLY
7 LICENSED DRIVING EXPERIENCE; OR

8 (c) HAS MORE THAN ONE OF EITHER, OR BOTH,
9 OF THE FOLLOWING:

10 —A PROPERTY DAMAGE ONLY ACCIDENT IN
11 WHICH THE DRIVER WAS PRINCIPALLY AT
12 FAULT.

13 —A POINT FOR A MOVING VIOLATION; OR

14 (d) HAS IN THE PREVIOUS 3 YEARS AN AT-FAULT
15 ACCIDENT INVOLVING BODILY INJURY OR
16 DEATH; OR

17 (e) HAS A FELONY OR MISDEMEANOR
18 CONVICTION FROM A VIOLATION OF THE
19 VEHICLE CODE ON HIS OR HER MOTOR VEHICLE
20 RECORD.”

21

22 (b) When the certified producer establishes delivery
23 of the disclosure form specified in subdivision (a) by
24 obtaining the signature of the applicant or insured, there
25 shall be a conclusive presumption that the certified
26 producer has complied with the disclosure requirements
27 of this section.

28 11629.96. For a low-cost automobile insurance policy
29 issued pursuant to the pilot program, certified producers
30 shall be entitled to the same commission rate as is paid by
31 the California Automobile Assigned Risk Plan for private
32 passenger, nonfleet risks under Article 4 (commencing
33 with Section 11620). No other fees of any kind may be
34 charged or collected in this regard and the sale of a
35 low-cost policy under this article shall not be conditioned
36 on the purchase of any other product or service.

37 11629.97. (a) A low-cost automobile insurance policy
38 issued pursuant to the pilot program shall be canceled
39 only for the following reasons:

40 (1) Nonpayment of premium.

1 (2) *Fraud or material misrepresentation affecting the*
2 *policy or the insured.*

3 (3) *The purchase of additional automobile liability*
4 *insurance coverage in violation of subdivision (a) of*
5 *Section 11629.98.*

6 (4) *The purchase or maintenance of automobile*
7 *liability insurance coverage other than a low-cost policy*
8 *for any additional vehicles in the insured's household, in*
9 *violation of subdivision (b) of Section 11629.98.*

10 (b) *A policy shall be nonrenewed only for the*
11 *following reasons:*

12 (1) *A substantial increase in the hazard insured*
13 *against.*

14 (2) *The insured no longer meets the applicable*
15 *eligibility requirements. In this regard, the eligibility of*
16 *an insured shall be recertified by the California*
17 *Automobile Assigned Risk Plan after the first year of*
18 *eligibility, and annually thereafter by the insurer that*
19 *issued the policy.*

20 11629.98. (a) *An insured under the pilot program*
21 *shall not purchase automobile liability insurance*
22 *coverage that is in addition to the liability coverage*
23 *provided by the low-cost policy. However, the insured*
24 *may purchase any other additional type of automobile*
25 *insurance coverage, such as uninsured motorist coverage*
26 *or collision coverage outside the plan.*

27 (b) *An insured under the pilot program shall not*
28 *purchase or maintain any automobile liability insurance*
29 *coverage other than a low-cost policy for any additional*
30 *vehicles in the insured's household.*

31 (c) *No more than two low-cost policies are permitted*
32 *in an insured's household.*

33 11629.99. (a) *The pilot program is authorized to*
34 *commence operations on January 1, 2000, but shall be*
35 *fully operational no later than July 1, 2000.*

36 (b) *To this end, the commissioner, in consultation with*
37 *the California Automobile Assigned Risk Plan, shall adopt*
38 *regulations to implement the provisions of this article*
39 *within 60 days of its effective date. The regulations shall*
40 *be adopted as emergency regulations in accordance with*

1 Chapter 3.5 (commencing with Section 11340) of the
2 Government Code, and for purposes of that chapter, the
3 adoption of the regulations shall be considered by the
4 Office of Administrative Law to be necessary for the
5 immediate preservation of the public peace, health and
6 safety, and general welfare.

7 11629.991. Notwithstanding the coverage amounts
8 required by Section 16056 of the Vehicle Code, a low-cost
9 automobile policy issued under the pilot program shall
10 satisfy the financial responsibility requirements of
11 Section 16021 of the Vehicle Code.

12 11629.992. The California Automobile Assigned Risk
13 Plan shall report to the Legislature on an annual basis,
14 commencing January 1, 2001, and at those additional
15 times as it deems prudent, on the status of the pilot
16 program.

17 11629.993. Nothing in this article is intended to amend
18 or otherwise affect or interpret any provision of
19 Proposition 103, approved by the electors on November
20 8, 1988, and no provision of that initiative measure applies
21 to this article.

22 11629.994. An action challenging the constitutionality
23 of the establishment of the pilot program by this article
24 shall be commenced in a court of competent jurisdiction
25 no later than February 1, 2000.

26 11629.995. This article shall remain in effect only until
27 January 1, 2004, and as of that date is repealed, unless a
28 later enacted statute, that is enacted before January 1,
29 2004, deletes or extends that date.

30 SEC. 3. Section 16020.2 is added to the Vehicle Code,
31 to read:

32 16020.2. On and after January 1, 2004, Sections 4000.37
33 and 16020, and subdivisions (a) and (b) of Section 16028
34 do not apply in the City and County of San Francisco.